



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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AUDITOR-CONTROLLER

WENDY L. WATANABE
CHIEF DEPUTY

March 25, 2008

TO: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **DEPARTMENT OF COMMUNITY AND SENIOR SERVICES- FISCAL
MONITORING OF AREA AGENCY ON AGING PROGRAM SERVICES
FOR FISCAL YEAR 2005-06**

The Department of Community and Senior Services (CSS) contracted with 49 cities and community-based, non-profit organizations (service providers) to provide Area Agency on Aging (AAA) program services during fiscal year (FY) 2005-06. AAA program services include meals, legal assistance, health insurance counseling, housekeeping and personal care for older and functionally-impaired adults.

CSS' AAA contracts are fee-for-service agreements under which providers are paid a set fee for each unit of service provided. The contracts also require that, if a provider's actual annual costs are less than the total amount the provider is paid, the provider must either get approval from CSS to use the excess earnings to provide AAA services, or return the excess earnings to CSS.

At the request of CSS, we contracted with Simpson & Simpson, Certified Public Accountants, (monitor), to conduct fiscal monitoring of 48 AAA service providers that had contracts with CSS during FY 2005-06. CSS paid approximately \$21.3 million to the AAA service providers during the year. Another Certified Public Accountant, Moss, Levy & Hartzheim, conducted fiscal monitoring of one of the providers because Simpson and Simpson had done other work for that provider and, to avoid a conflict of interest, could not perform the monitoring.

The fiscal monitoring was done in two phases. Phase I on-site visits covered the contract period from July 1, 2005 through April 30, 2006. During Phase II, the monitors followed up on the findings and recommendations from the Phase I reports.

Review Summary

Attachment 1 summarizes the findings for each service provider. The monitors identified \$698,185 in findings, primarily related to improperly allocated costs and a lack of documentation showing the service providers met the contract requirements to use some of their own funds to pay a percentage of program expenses (i.e., matching expenses), as required by the AAA contracts. If these findings are not resolved, the service providers will need to adjust their revenues/expenses, which may result in excess earnings. As noted earlier, excess earnings must either be used to provide AAA services or be returned to CSS. During the fiscal monitoring for FY 2006-07, the monitor will determine if any of the providers had excess earnings for FY 2005-06.

Simpson & Simpson prepared a management letter (Attachment 2) for the monitoring they completed, which recommends that CSS provide technical assistance to the service providers to ensure that the service providers; (1) have an adequate understanding of federal cost allocation requirements, and (2) understand and comply with matching expenses requirements of the contracts. Moss, Levy & Hartzheim did not identify any issues in their monitoring that required a management letter.

Review of Report

The monitors discussed each report with CSS and the appropriate service provider. CSS has indicated that they will work with the service providers to resolve all of the monitors' findings by June 30, 2008. Attachment 3 is CSS' response and action plan to address Simpson & Simpson's recommendations.

Because of the number of service providers, copies of individual reports are not enclosed, but are available for your review. Please call me if you have any questions, or have your staff call Terri Kasman at (626) 293-1121 if you wish to review any reports.

JTM:MMO:JLS:TK

Attachments

c: William T Fujioka, Chief Executive Officer
Cynthia D. Banks, Director, Department of Community and Senior Services
Sachi A. Hamai, Executive Officer
Public Information Office
Audit Committee

Department of Community and Senior Services
Fiscal Monitoring of Area Agency on Aging Service Providers
Fiscal Year 2005-06

Attachment 1

	Service Provider	No. of Recommendations	No. of Implemented Recommendations	Dollar Findings - See Footnotes on Page 2					
				A	B	C	D	E	Total
1	Alhambra, City of	2	1	(1)					(1)
2	AltaMed Health Services Corporation	1	0			\$86,213			\$86,213
3	Alzheimer's Association	1	0					\$21,425	\$21,425
4	Antelope Valley Committee on Aging	4	1	(1)		(1)			(1)
5	Armenian Relief Society	0	0						
6	Azusa, City of	4	1	(1)					(1)
7	Behavioral Health Services	1	0	\$2,067					\$2,067
8	Bet Tzedek	0	0						
9	Burbank, City of	2	0	\$37,800			\$188		\$37,988
10	Casa Maravilla, Inc.	4	3	(1)		\$602			(1)
11	Center for Health Care Rights	1	1	(1)					\$602
12	Claremont, City of	5	2	(1)					(1)
13	Consulting Nutritional Service	1	0	(1)		\$5,824			5,824
14	Culver City Senior Nutrition	0	0						(1)
15	Dickson Community Lighted Schools	2	0	(1)	\$164				(1)
16	El Monte, City of (not South)	3	2	(1)					\$164
17	Escapa-Chinatown	1	0	(1)					(1)
18	Food & Nutrition Management	1	0			\$191,887			\$191,887
19	Gardena, City of	8	1	(1)				(1)	(1)
20	Glendale, City of	2	0	\$703	\$325				\$1,028
21	Heritage Clinic & Community Assistance	0	0	\$15,763	\$1,040				\$16,803
22	Human Services Association	0	0						
23	Huntington Hospital Association/Pasadena	2	2	(1)					(1)
24	Inglewood, City of	9	5	\$21,306	(1)	(1)			\$21,306
25	Jewish Family Services	0	0	(1)					(1)
26	Just Rite Community Programs	2	2					\$37,739	\$37,739
27	Life Steps Foundation	2	1	(1)		(1)			(1)
28	Los Amigos Research & Education/Rancho Adult Day Care	1	0	(1)					(1)
29	LTSC Community Development Corporation	2	1			\$1,833			\$1,833
30	Norwalk, City of	1	1					\$5,380	\$5,380
31	Office of Samoan Affairs	4	2		\$378				\$378
32	Oldtimers Foundation, Inc.	1	1	(1)					(1)
33	Partners In Care Foundation ADHCC	4	1	(1)					(1)

Department of Community and Senior Services
Fiscal Monitoring of Area Agency on Aging Service Providers
Fiscal Year 2005-06

Attachment 1

	Service Provider	No. of Recommendations	No. of Implemented Recommendations	Dollar Findings - See Footnotes on Page 2					Total
				A	B	C	D	E	
34	Pomona Valley Community Service	11	7	(1)	(1) \$5,186	(1) \$18,849		\$1,290	(1) \$25,325
35	Pomona, City of	2	0	\$6,076				\$88,516	\$94,592
36	San Gabriel Valley YWCA	1	0	(1)					(1)
37	Santa Anita Family Service	12	1	(1)	\$854	(1) \$448	\$9,109	(1)	(1) \$10,411
38	Santa Clarita Valley Committee on Aging	0	0						
39	Santa Monica, City of	1	0						
40	Senior Care Action Network (SCAN)	4	0	\$8,351			\$874	\$29,796	\$39,021
41	Single Room Occupancy Housing Corp	1	0						
42	South El Monte, City of	4	2		\$26				\$26
43	Southeast Area Social Services Funding Authority (SASSFA)	3	2		\$2,356				\$2,356
44	Special Services for Groups	2	0		\$88				\$88
45	Torrance/South Bay YMCA	0	0						
46	USC/LA Caregiver Resource Center	0	0						
47	Villa Esperanza	7	2	(1)	(1) \$1,837				(1) \$1,837
48	West Covina, City of	5	1		\$7,019	(1)	\$511	\$86,362	(1) \$93,892
49	WISE	1	0	(1)					(1)
Total		125	43	\$92,066	\$19,273	\$305,656	\$10,682	\$270,508	\$698,185

Code Summary

- A No documentation to support the cost allocation method or expenses were improperly allocated to the programs
- B Expenditures charged to program or units billed are not supported with documentation
- C Program expenditures or revenues are not recorded or are inappropriately recorded on service provider's accounting records
- D Billed FY 2004-05 expenditures in FY 2005-06
- E Does not meet matching requirements or improperly recorded matching expenses

Footnotes

- (1) Monitors were not able to determine the dollar value of one or more findings in this category



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In planning and performing the 2005-2006 Department of Community and Senior Services Area Agency on Aging (AAA) Programs Fiscal Monitoring, we noted certain matters involving the Department of Community and Senior Services' (CSS) internal control structure relating to accounting and contract administration that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report AAA grant expenditures.

Our observations and recommendations are presented in Exhibit I.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the AAA program grant expenditures may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

The scope of our engagement was limited to monitoring AAA service providers and did not include considering and providing assurance on CSS' internal control structure. Such monitoring would not disclose all matters in CSS' internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the conditions described in Exhibit I are material weaknesses.

This report is intended solely for the use of the County of Los Angeles and is not intended to be and should not be used by anyone other than the specified party.

Los Angeles, California
October 10, 2007



EXHIBIT I

Condition #1 – Inappropriate Cost Allocations Charged by the Service Providers

During our monitoring visits to a number of service providers, we noted the following uncorrected findings from prior years:

- Certain service providers are inappropriately charging indirect or shared costs to the AAA programs.
- Required documentation for the charged costs are not properly maintained by certain service providers.

The above indicated findings were reported in the previous years' monitoring reports. Since the service providers had not implemented the recommended corrective actions, the findings were not closed as of our issuance of the follow-up reports. It appears that the reason for the perpetuation of these findings is that some of the service providers may not have an adequate understanding of the fiscal requirements of Office of Management and Budget fiscal policies (OMB) and the contract. We recommend that CSS continuously work with the service providers, and provide technical assistance if necessary, to:

- Ascertain that they have an adequate understanding of the cost principles established by the Office of Management and Budget that pertain to the administration and accounting of federal awards.
- Ensure the service providers are applying the cost principles, established by the Office of Management and Budget, in their accounting of grant expenditures.

Condition #2 – Lack of Understanding of Matching Requirements

During our monitoring visits, we noticed that certain service providers did not have an adequate understanding of the matching requirements and what documents the service provider needs to maintain to support the matching costs.

We recommend that CSS provide technical assistance to the service providers to ensure the service providers understand and comply with the matching requirements.



CYNTHIA D. BANKS
Director

COMMUNITY AND SENIOR SERVICES
OF LOS ANGELES COUNTY

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January 17, 2008

To: J. Tyler McCauley
Auditor-Controller

From: Cynthia D. Banks 
Director

Subject: **AREA AGENCY ON AGING PROGRAM SERVICE PROVIDERS AUDIT
REVIEW**

The following is Community and Senior Services' (CSS) response to Simpson & Simpson's, Certified Public Accountants, audit review and findings for FY 2005-06 Area Agency on Aging (AAA) Program contract service providers.

Condition #1 – Inappropriate Cost Allocations Charged by the Service Providers

During our monitoring visits to a number of service providers, we noted the following uncorrected findings from prior years:

- Certain service providers are inappropriately charging indirect or shared costs to the AAA programs.
- Required documentation for the charged costs are not properly maintained by certain service providers.

The above indicated findings were reported in the previous year's monitoring reports. Since the service providers had not implemented the recommended corrective actions, the findings were not closed as of our issuance of the follow-up reports. It appears that the reason for the perpetuation of these findings is that some of the service providers may not have an adequate understanding of the fiscal requirements of Office of Management and Budget fiscal policies (OMB) and the contract.

Recommendation

We recommend that CSS continuously work with the service providers, and provide technical assistance if necessary, to:

- Ascertain that they have an adequate understanding of the cost principles established by the Office of Management and Budget that pertain to the administration and accounting of federal awards.
- Ensure the service providers are applying the cost principles, established by the Office of Management and Budget, in their accounting of grant expenditures.

J. Tyler McCauley
AAA Program Service Providers Audit Review
January 17, 2008
Page 2

CSS Response

We agree with this recommendation. CSS has created a Cost Allocation Plan template and will provide general cost allocation and template training to all service providers by June 30, 2008 to ensure understanding of federal requirements.

Condition #2 –Lack of Understanding of Matching Requirements

During our monitoring visits, we noticed that certain service providers did not have an adequate understanding of the matching requirements and the documents the service provider needs to maintain to support the matching costs.

Recommendation

We recommend that CSS provide technical assistance to the service providers to ensure the service providers understand and comply with the matching requirements.

CSS Response

We agree with this recommendation. CSS issued an in-kind match directive to the service providers on December 4, 2006 identifying where they may find the federal guideline requirements (OMB A-110 and A-122). This recommendation is therefore implemented.

Implementing these recommendations will strengthen the department's contract operations for AAA programs. CSS will continue to work closely with our service providers, Simpson & Simpson and the Auditor-Controller's Office to correct any shortcomings through ongoing technical assistance to aid service providers to better understand contractual fiscal requirements.

Should you have questions, please contact Jackie Lynn Sakane, Program Manager, at (213) 739-7321.

CDB:MQ:JLS:hms

c: Simpson & Simpson, CPA